

## MoS Episode Transcript – Bonus Episode with Jordan Harbinger

**REID HOFFMAN:** Hey Listeners, it's Reid. We're sharing with you today the Graduation Episode, in honor of all our recent grads – and anyone navigating a big life decision.

On Masters of Scale, we talk a lot about how businesses grow. But we also talk about how people grow: How key decisions shape your future. And how setbacks can set you up for future success.

This special episode is hosted by Jordan Harbinger. Jordan's podcast, "The Jordan Harbinger Show", distills wisdom from brilliant people and helps listeners live what they've learned. For this show, Jordan chose clips from Masters of Scale that capture unexpected life lessons. Then he interviewed me about what we can learn from them.

If you're navigating a big life decision, this episode is for you. And with that, I hand it off to Jordan.

**JORDAN HARBINGER:** Thanks Reid. And welcome all to the Graduation Episode, where we'll share some advice to help you navigate choices in your career. Let me be honest: I find that a lot of conventional advice is pretty unhelpful. So in this episode, we explore 10 rules based on the principles that really helped the guests on this show succeed.

For each new rule, we'll hear one of the best stories from the last season of Masters of Scale – and then I'll dive deeper with Reid to get his thoughts. OK, so let's start with those rules.

Rule one: Follow your passions – but be real. "Follow your passions" is the most cliché advice you can get or give. At the same time, it is true that a lot of successful people found a way to play into something they'd always been passionate about. Reid and I will talk about how to tell the difference, after this clip from Masters of Scale.

In this clip, Reid shares a story from Spotify founder Daniel Ek's childhood in Sweden – one that shows his early passion for both music and technology.

**HOFFMAN:** It's fair to say we have Sweden to thank for Daniel's lifelong love affair with music. It started with his family.

**DANIEL EK:** It's one of those weird families, like in normal families, you would get a college degree and that would be the important thing, not really in our family. In fact, no one had a college degree, but having a music education was super important.

**HOFFMAN:** But his country made sure that no child left music behind.

**EK:** In Sweden, where I grew up, there's actually free music education, which I think explains a lot about how music is so big in that country and why it's such a big export for us as well.

You get taken to this place when you're about four or five years old, and you walk around and you get to sample every instrument you can imagine. I walked around and I saw people playing piano, I saw people doing the flute, I saw people doing all sorts of things. In one of the rooms was this person who was playing the drums. I saw that and I was like, "Holy shit, this is amazing. I really want to play the drums."

**HOFFMAN:** Five-year-old Daniel was blown away by the possibilities. But there was one inescapable reality.

**EK:** My parents – because I wasn't really that into music at that time and nor did I really want to do it – they said, "You can pick any instrument you want." I said, "I want to play the drums." They said, "Well any instrument you want... but the drums." Because we were living in an apartment and we didn't want to get evicted.

**HOFFMAN:** Daniel turned to a cool, older cousin for advice.

**EK:** He had told me that I should pick the guitar because if I pick the guitar, I could actually have a shot with the girls. As a five-year-old, I didn't know what "have a shot with the girls" actually meant. I thought he was a pretty cool guy, so I ended up playing guitar. That's the story of how I started picking up the guitar.

**HOFFMAN:** When did you start picking up programming, and then was there any connection between music and programming at that time?

**EK:** No, it wasn't really any connection between the two. It was a C64.

**COMPUTER VOICE:** The C64 is also known as the Commodore 64. It was an 8-bit home computer popular in the 1980s.

**HOFFMAN:** With a cassette?

**EK:** Yes, with a cassette, indeed. Then one day, the cassette broke. The actual player broke down. I started deconstructing the player and figured out how to fix it. Next time the computer broke down, I took it apart, and then put it back together again and fixed it. Got a bit overconfident, so I asked someone who was an engineer, "What's the hardest thing to learn?" The person said, "Well, C++ is probably the hardest thing to learn."

**COMPUTER VOICE:** C++ is a computer programming language. It is indeed one of the hardest things to learn.

**EK:** By age nine I thought, "Hey, I'm going to learn how to program C++." And about 40 pages of code later, I could construct a mouse cursor that moved around, which felt like a lot of work for something relatively simple.

**HARBINGER:** Daniel's story is cool, because he's a great example of someone who didn't have a lot of advantages, but made his own way. But there's also a danger in trying to emulate it. I brought this up with Reid.

**HARBINGER:** One issue that I might take with this advice though, is he says something akin to "Follow your passions", not quite that simplified. But I find that to be, often, bad advice. Because we hear it from successful people, but this is kind of survivor bias where they're successful, they've got a big platform; because Mark Cuban tweeted it or something, right? Not to put him on blast, I'm making that up.

But they're also a minority of people. We don't hear from all of these entrepreneurs or would-be entrepreneurs or creators that followed their passion straight into their mom's basement never to be seen again, essentially. So where do you stand on all of this?

**HOFFMAN:** My very first book was called *The Start-Up of You*, and part of what I was trying to do is to give people how to say, yes your passion is important, but you should be paying attention to market realities. You should say: What do the opportunities look like? What does competition look like? Do I have a plan for getting there? Do I have the resources for getting there?

So, the "Oh, I'll follow my passions and my passions will lead me to an amazing career"? Lots of people don't work out in the video gaming industry. Lots of people don't work out in Hollywood. Lots of people don't work in – there's just these pools where people get exposed to them when they're in high school or college or younger and they go, "That's what I want to be." And you're like, yeah, but there's millions that go into it, and there's tens or hundreds where it works out. And you have to understand that reality of these things.

And so I think it's important to identify your passions. It's important to kind of figure out all right, which passions are the things that would really trigger but also to be "What's the best match for me?" to what the opportunity landscape looks like.

**HARBINGER:** How do you evaluate that landscape?

**HOFFMAN:** So first part is, use your network. And what people mostly mistake is I think, "Well, if I can get to the head of this record label or something else that would inform me on this question." Usually we don't have access to that. Usually the question is, "Well I

have some family, I have some friends, I have some people that friends know, I have some people that family knows.” That’s my network when I’m young.

But what you do is you go, “Well, who are the smartest people that know me that may have a good sense of this, that may be able to connect me with someone that is interesting, that could then give me some sense where I can go, ‘Okay, is this a good idea where I have enough of unique edge, I could pick up some of my time I could run and experiment with it?’”

And the questions to ask the network... So first is not just asked the people you know, but ask them if they know someone who would be useful to talk to. Second is the questions you ask them, “What’s wrong with this idea?” Not, “Do you like this idea?”

**HARBINGER:** Right? Because they’ll go, yes I do.

**HOFFMAN:** Yeah, “You seem nice. I want to be supportive. Yeah, it’s great.” But “What could go wrong, right? If this fails, why would it fail?” Right. And then so you’re getting a sense of that because you go, “Okay, I think I can navigate that stuff.” So network, one key component.

Another one is, and this is again from my book *Start-Up of You*, I have this framework called ABZ planning, which is you have a plan A; you have plans B, which is how to think about like, “Well if A is not working out, maybe B will work; or maybe B will be a different path or...” that kind of thing.

And then you have a Z plan, which is, “It’s not working out at all. What’s my lifeboat plan? I’m going to row to a different set of plan A and plan Bs.” So having that as a planning framework – and if you can build that planning framework around your particular idea, maybe your passion and so forth. You go, “Okay, I’m respecting the fact that I’m going to change. I’m going to change, the world’s going to change. I’m going to learn new things. I’m going to figure out, ‘Oh yeah, 3000 people who are in better positions have this music idea than I do and this isn’t going to work. I need to change.’”

Then you can keep moving and you can keep playing forward. So like having a flexible planning framework that accounts for your changes, your changes in your knowledge, and your changes in the way of the world, or the way the market is working are all really critical.

**HARBINGER:** That’s really solid advice. Thank you.

**HARBINGER:** So let’s move on to the next rule. Rule two: Make decisions based on facts – but also on how you feel.

Big life decisions are tough. The stakes are high and it's just not possible to see the future and know how things will turn out. Most people will tell you one of two things: To be objective and data driven or to just follow your heart. But the best way to make decisions is actually a little bit of both. Reid calls this "informed intuition."

And our next clip brings that to life. It's with Marissa Mayer. Marissa is famous for being a really influential 20th employee at Google and later, the CEO of Yahoo. She's also famous for making decisions based on a ton of data. In the story you're about to hear, Marissa is still in college, and she's agonizing over a decision she doesn't know how to make.

**HOFFMAN:** Marissa was still a college student and Google was one of a thousand teeny Silicon Valley startups competing for talent.

**MARISSA MAYER:** Due to a long distance relationship and a bad bowl of pasta I was in my dorm room on a Friday night. And I told myself, "If anyone else mails you about another job, you just have to pick. You have 13 good offers, you just have to pick one."

**HOFFMAN:** At just that moment, another email popped up on Marissa's screen. The subject line was just three words: "Work at Google".

**MAYER:** It came in late on this Friday night, it said, "Work at Google" and I remember looking down and being like, "This bowl of pasta is so bad, and I am so pathetic that I'm here on a Friday night eating bad pasta."

**HOFFMAN:** Remember, this is 1999. The peak of the Dot Com bubble. Stanford grad students were showered with offers from tech recruiters. Marissa assumed she was just being spammed. She hit delete. Or at least, she meant to.

**MAYER:** I accidentally hit the spacebar, which in my email reader program opened the message. I looked back up, and it was open, and I realized it was actually an email from Salar Kamangar, another early Googler, who said, "I've been talking to different professors at Stanford about who I should be talking to that's graduating, your name came up."

**HOFFMAN:** Salar Kamangar, the Googler who sent that email, was Google employee number 9, for those keeping count. He's now senior vice president of YouTube. Now Marissa had another offer. Fourteen to choose from. It's the kind of problem most new grads wish they had. How did she decide? Methodically. Marissa enlisted help from Andre Vanier, a fellow Stanford student, who's now a VP at Oath.

**MAYER:** I went up to his apartment in San Francisco and said, "I've got all these offer letters..." And we pulled all the different values for all of the different columns off of these

offer letters: salary, stock, where it was, career trajectory, promotion ability, happiness quotients.

**HOFFMAN:** They drew up charts and plotted graphs. They buried their heads in the numbers. After six hours churning data, Marissa looked up to see the sun had set. Her head was spinning. And she felt no closer to a decision.

**MAYER:** Andre just loves working on problems like that, and he turned to me and said, "This has been really fun. Thank you so much for involving me in this." I was like, "I haven't made a decision, this hasn't been fun for me at all. I'm completely overwhelmed!"

So he's like, "Go to bed, sleep on it, the first thing you think of tomorrow morning, whether you can articulate it or not, that's the right decision." That is how I ultimately picked Google. I went to sleep, I woke up the next morning, and I just wanted to work at Google. For a lot of the reasons I could articulate and for a bunch of other reasons that were harder to articulate. I felt like the smartest people were there and I felt really unprepared to try and do what they wanted to do overall as a company. They were really ambitious. For all those reasons, I picked it.

**HOFFMAN:** Marissa is well-known for her intense use of data when she makes decisions. Indeed, it has been the target of much criticism. But what people overlook is that she's not making choices based solely on the data she collects. Each table of data she builds is like a diving board. The higher she builds it, the wider the view, and the bigger the splash when she jumps. But whether she actually takes that dive or not? That's still based on intuition.

**MAYER:** I like to be really data-driven, but I don't ignore the human instinct element of it. For me, my process is, a lot of times, roll around in the data, get to know it and really understand it really well, and then make a gut-based call, which is often supported by data and a lot of hard-to-articulate factors as well.

**HOFFMAN:** Informed intuition, is actually, I think, a good way of making decisions.

**MAYER:** Totally, yes.

**HOFFMAN:** So Marissa took the plunge and became Google employee number 20.

**HARBINGER:** Not a bad pick and given her career trajectory, but is there such a thing as too much data? We hear about analysis paralysis and things like that, how do we strike a balance?

**HOFFMAN:** So there is almost always too much data, and part of what you have to think about is "What are the key things that would change my decision?" Not "Let me integrate

all of the information,” because then you get overwhelmed with that. And by the way, that overwhelming can actually make you have bad decisions.

So I'll share like, for example, one of the frameworks that I tend to utilize a lot, which is you say, “Okay, this is the first priority, this is the second priority, this is the third priority.” So frequently what I'll do is “Can I make this decision just on first priority, not looking at second and third? Like what would the decision be if it was just on the first priority?”

Because, by the way, then it's only the data around that. It's only the things around that. And if you say, “Well this would be the decision,” then you go, “Okay well why would I allow that to change for any of the other priorities? If that's really the driving priority, then I can make actually the decision. I should tune it a little bit to respect these other interests, these other goals, these other needs. But that should be what I'm, what I'm going to do.”

And that's one of the ways to simplify the set of data. Because you go, “What is the really, really key thing?” The only thing that I find personally useful about doing the process that is the exhaustive, like “Here I did the entire table, I did the entire spreadsheet...” And some people who are deeply smart and analytical, like Marissa really make that work well. But for me, I'm just looking for the, “Oh, this is the one question that matters.” And once I figured out that question, that's the decision and that's it. And so, I think that's important.

The other thing that is important is how do you set your goals the right way in terms of how you evaluate the data within it. And I find that people make, very commonly, one of two mistakes. It's almost like the goldilocks mistake in goal setting. So then you go, “What's my next step?” It's like, “What's my passion? What's my next step? I should only evaluate on the next step.” And you're like, “Well, but actually in fact you have this whole career and whole life in front of you. If you evaluate only on the next step, you're going to have a problem.”

And then they go, “Well I want to be a hedge fund manager. Like this is the thing I want to do. Like this is the thing 15 years out.” And you're like, “Well don't you think you're going to learn some things that you think you might change? Don't you think you might be going along this path and realize you have this other great opportunity?” So saying, “That's the only thing.”

So frequently what I do is I say the way of decisioning is, I think of as a two-step decisioning process, by which you go, “Integrate into this step, what is my changing landscape of possibility on the second step?” Not “Where am I going to be 20 years from now, but like how does that landscape change in a way that's really good for me? Is it a good fit for my skills, is it a good fit for my passions, a good fit for what the market needs

and opportunities?” And do that. So you integrate those two. Now when you're only doing that, the amount of data is a much more compact set of data.

**HARBINGER:** Yeah. Interesting. Marissa also mentioned “informed intuition”, and I'm wondering how do we know we're informing our intuition with data versus just like procrastinating because with the, “But there's more data over there, maybe there's something in there that will inform my intuition,” aka never pulling the trigger on anything.

**HOFFMAN:** Well, there's an additional thing I can say, which is one of the things I learned from startups is when I'm operating on what I think of as quick time, when I'm confronted with a decision, I say, “What would my decision right now be? If I had to make the decision right now – I don't get any more data. This is the data I have. This is what the decision would be.”

Then because I go, “Okay, what are the key things that might change my decision? So I need to talk to Jordan, I need to talk to Sarah.” Or “I need to find out if this is true or not, right, like this thing.” Great. Do I have the timeframe and the ability and the cost and go do those things? Okay, let me go get those specific things and then inform this decision.

**HARBINGER:** Now, some of us have a tendency to agonize over decisions and over-think things. We ask ourselves: “Will this job fulfill me for the rest of my life?” When we should ask “Will this job get me to the next level that's right for me?” Reid has a great way of talking about this, and that leads us to our next rule. Rule three: Build your network – it's not just for “networking.”

Listen, this is Reid's show. And Reid founded LinkedIn. He is all about building your network. But not for the reasons you might think. I decided not to run a clip for this one. I just asked Reid about it, because this is something I also advise people all the time. Every big win I've ever had has come from reaching out and connecting with people.

**HARBINGER:** Every benefit that I've ever had that's big has come from reaching out and connecting with people. And people will say, “Well, I work at a school, so I don't need this.” Or “Well, I'm not going to leave my job. I work for the government. I don't need networking.” What do you think of that when people say things like that?

**HOFFMAN:** I think we live in a network age, so I actually think everyone needs a network. And whether or not you're a high school student or whether or not you're a massively successful CEO – the whole range, you need it. It affects what you learn, because what you should be paying attention to; what should your considerations be, about how the world's changing, about what kind of opportunities and threats and possibilities actually all look like – the best place that comes from is your network.

Yes, you can Google search and yes, you can read a lot and that's nice to do too, but the network helps you learn. The clearest way you can say this is that most people, when they go through the university experience, some go through the college experience, see you learn a bunch from your classes, you learn a bunch from professors, but actually in fact, for almost everyone the most you learn was from your peers and the students around you. And that continues through life and that's what your network is.

**HARBINGER:** Yeah, it's really true. I remember having smart roommates, which was lucky, because it certainly wasn't me going "I need smart roommates." It was guys going, "Hey, you should live in our house," and it was a bunch of go-getter gunner guys. These guys taught me how to study. They taught me about world events. They taught me how to pay attention to the right kind of news. I didn't know things like some news sources are biased; you're 19, you don't think about that stuff.

But I do vaguely also remember skull shapes of Australopithecines, it's just been less useful in terms of my daily life. Other people – and this is more up your alley – will say "Well my work is so good I want it to speak for itself, so I don't need to make connections. And when I go to a VC they'll go, 'Wow! This idea is amazing, I don't need to network.'"

**HOFFMAN:** So, again, people frequently have false dichotomies. It's great to have great work. It's great to have an amazing set of stuff that you've done. That's awesome. And yes, you should have that.

But one of the pieces of advice I most often give entrepreneurs is don't just work on the product, work on your go to market. Because the "Oh I build this thing in the corner, no one sees it..." It may be the best thing ever but no one sees it so it's never used. That's the problem on the entrepreneurship side.

The same parallel is true for individuals, which is, you may have done all this great work, but the fact that it's awareness, what other people are saying about it? What's the way that you present it? What's the way that people can understand it and get to know it? Because, by the way, it's a huge world. It's 8 billion people. How do you stand out against 8 billion people? Actually, in fact, that's kind of challenging.

**HARBINGER:** And now on to the next rule. Rule four: ask for advice – but know when to ignore it.

Let's face it. There's a lot of advice out there, and it's not all equal. There's good advice. Bad advice. Loaded advice. How do you know which is which? Let's hear three stories from Masters of Scale and then talk it out with Reid.

The first clip comes from Linda Rottenberg. She founded Endeavor, a hugely influential organization that supports entrepreneurs internationally. It's been going for 20 years now, but it had to start somewhere. She and her co-founder came up with the idea at her parents kitchen table. And it almost died there.

**LINDA ROTTENBERG:** And we actually came to my parents kitchen table to write – on a napkin – the business plan for Endeavor. My parents freaked out. And in fact, my parents overheard us plotting this global organization that was going to support high-growth entrepreneurs in emerging markets.

And my mother looked at my father like, “You've got to stop this.” And my dad gently came over and reminded me that I needed to be financially independent, I didn't have anything to fall back on, and this didn't sound like job security.

And I refer to this as my “kitchen-table moment,” which I think a lot of entrepreneurs face, which is, it's really scary to tell your family that you're going to do something unconventional. And you have to make this choice: Do I do what's safe and expected, or do I venture into the unknown?

**HOFFMAN:** Linda was convinced that high-impact entrepreneurs can be found anywhere – and we might hear from them more often, if only they could push through their own “kitchen-table moment.”

**ROTTENBERG:** To me, the biggest problem is the best ideas don't die in the marketplace, or in the laboratory – they die in the shower. Because people don't even give themselves permission to walk out of the shower, and write it on a napkin, and take it into the world, because they're afraid of what others are going to think about them. And they're afraid that people are going to say, “Well, this is just a crazy idea.”

**HARBINGER:** So Linda clearly got some unhelpful advice she decided to ignore. And good on her for that. But sometimes we internalize that unhelpful advice. And we need a shot of good advice to break us free. That's what you'll hear in this next clip with Danny Meyer, the famous chef and restaurateur. Danny owned half a dozen legendary New York restaurants before he launched Shake Shack, which is now a national chain in the U.S. In this story, Danny shares the jobs and life decisions he stumbled through before realizing his true passion.

**DANNY MEYER:** I had spent three or four years selling electronic tags to stop shoplifters, which was basically my ticket to living in New York, and it turned out I was a really good salesman. I was completely ignorant to my own burning passion.

**HOFFMAN:** That's Danny Meyer, recounting his former life as a crime-fighter of sorts in the rough-and-tumble of early '80s Gotham. And like many troubled heroes, he was haunted by his past and uncertain of his future.

**MEYER:** I decided I should opt towards getting a law degree.

**HOFFMAN:** After months of grueling study, he was finally ready to sit the test that would set him on course for a comfortable life in law.

**MEYER:** The night before I took my LSATs, I had dinner with my aunt and uncle and my grandmother, at an Italian restaurant here in New York City. I was in a foul mood and my uncle turned to me and he said, "What the hell's eating you anyway?"

And I said, "Well, I gotta take my LSATs tomorrow."

He said, "Well, duh, you want to be a lawyer, of course you're gonna take your LSATs."

And I said something really stupid to him at that point, which changed my entire life, which was, "I don't really want to be a lawyer."

He got furious with me. He said, "Do you not realize that you're going to be dead forever?"

And I said, "What do you mean?"

He said, "Do you not realize that relative to how long you're gonna be dead, you're gonna be alive for about a minute? Why in the world would you do something that you don't want to do?"

And I said, "Well, I don't know what else I would do."

He said, "You gotta be kidding me. All I've ever heard you talk about is restaurants your whole life."

I actually said at that point, "Well should I go eat in restaurants for the rest of my life?"

And he says, "No, you fool, you should open a restaurant." And it just... it's not something that people were doing in the 1980s. You just didn't do it.

**HOFFMAN:** "You just didn't do it." That phrase is the precursor of many a great entrepreneurial story. Because many founders have to go up against the kind of received wisdom that says: "You just don't do certain things."

And, if they're lucky, that weary-sounding "You just didn't do it" becomes a vibrant "I've got to go do it."

**HARBINGER:** Everyone could use an uncle like Danny Meyer's. And honestly that's what I try to do on my own show. I ask people to think about the kind of advice they'd give to a nephew or niece. But this next clip is about a different kind of advice – the kind of advice you can get from a really great, honest partner: Your wife. Your husband. Your sibling. Your best friend.

In this clip we hear again from Kevin Systrom, the founder of Instagram. He was featured in the Masters of Scale episode "Keep it Simple While Scaling Big." And the thing you need to understand before listening to this clip is this: What set Instagram apart, right from the start, was its "filters," which were dead-easy to use, and which made your bad photos look good, like a nostalgic Polaroid from the '70s or an album cover from the '80s. The thing is: Kevin didn't come up with the idea for filters. His wife did. Reid tells the story.

**KEVIN SYSTROM:** We rented a little room in a bed and breakfast and I was working on Burbn at the time and we were pivoting to photos but she was like, "I don't think I'm going to ever use this app."

I was like, "Why not?"

She's like, "Well, my photos aren't good."

And I was like, "Well, that's fine. You can post photos. It'll be good."

And she goes, "Well, they're not as good as your friend Greg's."

I was like, "Well, Greg filters all his photos."

And she looks at me and she's like, "Well, you should add filters then."

I was like, "Ah, you're right. I should add filters."

**HOFFMAN:** I hear stories like Kevin and Nicole's all the time. Entrepreneurs take note: An honest partner is always your best source of ideas. Kevin was smart enough to listen.

**SYSTROM:** I went back to the bed and breakfast room and with a dial up connection to Mexico, of all places, I was looking up code on how to change colors and photos, and I made the first filter there on the spot. It's still in the app, called X-Pro 2.

**HOFFMAN:** X-Pro 2 was one of the 11 original filters that Instagram launched with. Each of the distinctive filters added the kind of blurred edges, color wash, and light leaks that

gave even mediocre photos a sense of nostalgic meaning. And when Instagram launched, there were a lot of mediocre photos. Phone cameras were still primitive.

**SYSTROM:** Any person we gave it to, their eyes lit up because they were like, "Oh, like my photos seem so much better now." And that was the moment when we realized, "We think we have something."

**HARBINGER:** Reid and I launched our discussion of this clip by examining the importance of unflinching honesty between partners.

**HARBINGER:** So an honest partner is almost always the best source of ideas – or often the best source of ideas. Why do you think this is the case?

**HOFFMAN:** Well, there's lots of reasons. So one is they have a certain amount of objectivity, so they don't have their own ego as invested in, "Oh, this is brilliant as the exact right thing, et cetera." So they can both see the potential strengths and the weaknesses in a clearer way.

Second is that they have an investment in trying to help you. So they can say, "Look, I'm trying to help you get to the better place, whether it's double down or change or pivot."

And the third is they have a communications channel that you trust, you trust this person, you trust their interest in you. So that partner – and by the way, part of the meaning of life is to seek out those people. It isn't just your spouse, et cetera, but it's your friends, your allies. Seeking that out is super critical and those people it's more than gold, it's more than diamonds, it's more than platinum. Those are the people that not only give meaning to your life but also help you steer.

**HARBINGER:** How do you find those people? Of course it's a matter of filtering, I would imagine; you meet 100 people and one of them turns out to be a great board member for your personal life. Do you have any specific ways where you go, "This person is really, I really want to spend more time with them. They are sharp."?

**HOFFMAN:** First is, lots of people have interesting perspectives and interesting experience in various different ways. And the dimension could be knowledge of the world, knowledge of an industry, knowledge of what's going on here locally, their own networks of who the people they know, the kinds of things that – there's just lots and lots of knowledge in different things. And so the first thing is to realize that a vast majority of people have something of value, and like figuring out what that is.

Now that doesn't mean that everything is of value. So like for example, I meet a great artist that I go, "Oh, this person really understands like how we order our perceptions and they're the person I will ask about that." I wouldn't go ask them about an investment

in a company. They just wouldn't know it. It wouldn't be useful, it kind of puts them in an awkward spot and so forth. So you have a whole massive network of potential advisors that it's good to map to.

Then what happens when you say, "Well, who are the people that are the best kind of inner circle guides for you?" Well, those are people who are generally speaking, somewhat balanced in their own self, so when they're giving you advice, they actually see you in giving you advice. They don't go, "Well, if I was in your shoes, I wouldn't want to do that." You're not in my shoes. I'm in my shoes. We have different goals, we have different interests, we have different risk tolerances, we have different ways that we play and what we're willing to do.

And so people who go, "Look, I see you and I at least know you some and I care about you and I care about what the right outcomes for you. And so, by the way, I'm willing to tell you the hard thing." It's like, "Okay, I know you have your heart set on this acting career, it's probably not going to work out right? Like it's a really long, hard path for you. And I know that you may get angry with me because I'm trying to help you this way and I'm going to try and do it in the warm as possible most compassionate way in order to make it happen because I want to show that I care for you and while I'm doing that and I'm paying attention to it."

So those are the kinds of people that you want to be most close in – and yes, they may have some expertise and knowledge about the world that may be super smart. All those things are useful attributes, but their ability to stay true to being an ally with you is the really key characteristic around that inner circle.

**HARBINGER:** Do you find that some of us maybe have partners with terrible ideas or partners that are too close to the project and we go, "Okay, they're telling me this and I should probably not listen to them"?

**HOFFMAN:** It is almost always the case that you will have some of that. And the way that I do that is I go, "Okay, what do I think I know that they don't." And so I get crisp on it, like there may be close to it. I may think that they're being led by their own bias, I maybe think that they have something like an emotional decision or something else or a passionate decision that is biasing the decision and I may believe all that. That's great.

But the discipline you get to when you say, "Well, this person's close and they're smart and they're saying this. Okay, what do I think that I know that they don't, and can I articulate myself that with some degree of precision?"

And if I do that, then I can feel comfortable going, okay, I'm going to not follow their advice. I'm going to have heard it. I'm going to put it in the memory bank, but I'm going to go, "No, I'm going to continue on this course of action."

**HARBINGER:** Yeah. You hear that mom, it's nothing personal. I think, actually, that's a random accidental example. People who are really close to us often want to protect us, so they say things like, "Oh, if he goes and tries to start this company and fails, he's going to cry. He's going to be upset, and then he's going to move back in our basement. You're doing really well at the police department. Why don't you just stay there?" And it's not not in your best interest, but it's also playing it safe because they don't want to see you fall on your face. It's not naysaying, it's they're trying to protect you.

**HOFFMAN:** Yes, it's out of love. But by the way, it isn't whether or not you take risk or not. We almost always take risks in everything. Even staying at the police department is actually taking risks. It's a question of taking the smart risks.

**HARBINGER:** I'm actually going to interrupt Reid's train of thought here. Because he's leading right into another rule. That is rule five: take bigger risks. There's a story from Masters of Scale that matches this perfectly.

The story comes from Shellye Archambeau. She's not a household name, but she was responsible for one of Silicon Valley's most incredible turnarounds. She is a huge fan of taking big, calculated risks. And in this next clip, she's describing a series of risks she took while working for IBM.

**HOFFMAN:** Shellye ascended through IBM to the level of junior executive. The time was right to ask the question:

**SHELLYE ARCHAMBEAU:** "Alright, what's it take to actually get into that C suite, where you're a direct report to the CEO?"

**HOFFMAN:** She identified one factor that was common to almost all of IBM's top executives.

**ARCHAMBEAU:** Almost all of them had gone and done an international assignment. But more than that, a good chunk of them, a high percentage, had actually gone to Japan. I thought, "That's not obvious." Japan was probably our smallest marketplace.

**HOFFMAN:** Shellye didn't know why all those executives had chosen Japan, but she knew it had carried them in the direction she wanted to go. So she set herself up to enter a new current, one she believed was particularly risky for her.

**ARCHAMBEAU:** It was a big risk to do: tall, African-American female, under 40, going to Japan with her whole family.

**HOFFMAN:** On the face of it, Shellye was at a disadvantage. But in fact, what set her apart in this, also set her up for success.

**ARCHAMBEAU:** Men who come from the U.S. and do an international assignment, they assume that everything they've done – their reputation, whatever – all comes with them. Whereas whenever I get a promotion or a new job and I walk into it, I know that people are going to assume that I'm probably not quite qualified, or not quite ready. I always have to go in and prove myself, establish myself.

Well, because I have that mentality, when I showed up in Japan, I took that same approach. The approach is, if I could help my team be successful, that will make me successful.

The big thing I learned in that experience was, for the first time in my entire career, having the experience of being a minority, was an asset. I tell people all the time, women, minorities, go do an international assignment. You will actually have an edge above people who have not been minorities and experienced being minorities in a new culture.

**HOFFMAN:** Shellye started her time in Japan by taking a risk she'll always remember. The story begins as Shellye prepares to meet a key colleague for the first time.

**ARCHAMBEAU:** Okay, so, here I am, my Japanese team is my biggest team. Yamamoto San, who was running that, is indeed the person that is going to be very important to me. So, I need to meet with him.

Before we meet, I meet with his right hand person, gosh, two or three times. That's the process. He's the go-between to make sure that the very first meeting goes well.

**HOFFMAN:** Yamamoto San's right-hand man was trying to stress the importance of going slow. Americans have an unfortunate reputation of charging into meetings and barking out To Do lists. So, he was encouraging a gentler approach.

**ARCHAMBEAU:** He said, "Now, Shellye, please, this meeting is just a nice meeting. It's a get to know you meeting. It's like..." And he's looking for an analogy, and he says, "It's like a first date."

**HOFFMAN:** Shellye understood the message. But his choice of the expression "first date" also gave her an idea.

**ARCHAMBEAU:** I'm walking to the office the next morning and I pass by the florist shop. I stop and I think, "a first date." So I go into the florist shop and I buy the biggest bouquets of flowers, and I bring them into my office and put them in the cupboard.

Yamamoto San comes for our meeting. He walks in, and we bow and say hello. And I said, "So since it's our first date, I bought you flowers." And he froze. I'm thinking, "Oh no, this is going to go so badly."

**HOFFMAN:** This idea was definitely risky.

**ARCHAMBEAU:** Then he broke into this huge smile. I pulled the flowers out of the cupboard and I handed them to him. It was great. It totally broke the ice. One of the biggest side effects that I had not planned on, was he had to carry those flowers all the way through IBM Asia Pacific, all the way up through IBM Japan, up into his office. Of course, everybody is wondering, why is he carrying all these flowers?

**HOFFMAN:** It worked. And as a result, Shellye's reputation was established.

**ARCHAMBEAU:** People started hearing about Shellye San – which is what they called me, Shellye San, "Mr. Shellye" – long before I actually met them because of the flower story. But it was great. It was wonderful that it actually went well. It could have been a bust.

**HARBINGER:** That definitely could have been a bust. But way to dive head-first into risk, Shellye. And now we'll let Reid pick up his train of thought.

**HOFFMAN:** It isn't whether or not you take risk or not. We almost always take risks in everything. Even staying at the police department is actually taking risks. It's a question of taking the smart risks, and this is also gets down to the competencies of advice giving. Because if you realize that every path involves some risks and its risk trade-offs, then you go, okay, so how do we trade it off?

And that's part of the reason why the ABZ planning framework because you go, well look, you actually could move back in the basement. That's fine. And then we help you get the confidence to go out in the world again and we all going to agree to do that. Like you could say, "Look the conversation is if you start this company, you do this thing. It may not work out. Do you have a plan for if it doesn't work out?"

And if it was on one of my plans, I moved back to the basement. Okay, great. You're going to move back to the basement. We will actually in fact do that. Did you have a plan of how you get out of the basement? Like, what are you going to do then and are you going to have the energy and the dedication, the wherewithal to do that? And the person says, "Yes, I will." Okay, great. Take the risk.

**HARBINGER:** And now on to the next rule. Rule six: don't just take a job. Take a tour of duty.

The idea behind a tour of duty is that you sign on to each new job – or each new assignment within a job – with a specific timeframe and goal in mind. You fulfill that goal, and then sign on for your next tour of duty, either with the same company or maybe a new one. I love this idea of a “tour of duty” because it just intuitively makes sense to me, as a millennial.

This next clip comes from the episode where Reid is the guest, and Executive Producer June Cohen interviews him. Reid is explaining what he calls the “Jedi tours of duty.” And yes, that idea came straight out of the movie “Star Wars.”

**JUNE COHEN:** Reid developed the idea of the “Jedi tours of duty” along with his book, *The Alliance*. He says there are three different tours of duty: Rotational, transformational, and foundational. Each maps on to a Star Wars character — and probably some colleagues of yours. I asked Reid to take us through the three archetypes.

**HOFFMAN:** The first was rotational, which is kind of you're a hired gun, you're doing the work, you're not really tied to the mission. That was Han Solo.

The second was a transformational tour of duty, which is how both you as an individual, as an employee, are transformed, and how you also transform the organization. Of course, that's Luke Skywalker, just beginning his Jedi journey.

And then the foundational tour of duty is where your mission is so closely aligned with the organization, that the organization is part of your own mission as an individual. And that's the foundational tour of duty, where your life's mission is part of growing and the impact of the organization. That's Princess Leia's tour of duty.

**COHEN:** The “Star Wars” metaphor is funny, but it's also deeply useful for anyone assembling a team. It gives you a framework for thinking not just about what you could get from this new team member, but what they get from you.

**HARBINGER:** So this is an area of friction for the older generation and a lot of millennials sort of butt heads on this. Because my parents or someone my parents' age, common topic of conversation is “nobody could stick with anything anymore. Everyone's always moving around. These kids can't hold jobs for more than four years. I was at Ford for 32 years,” or whatever, but it's not quite accurate. There's something else going on here. Tell us why should we not be upset that people are switching jobs so often or that they're moving around so much?

**HOFFMAN:** So first book was *Start-Up You*, second book is *The Alliance*. This is part of what I was writing about in *The Alliance*, is it's no longer career ladder, it's no longer a career escalator. It's a jungle gym. And jungle gym is, you're kind of going sideways, you're going down, going up. It's like kind of all over. And that's the nature of modern work. And so I think that the...

And actually by the way, the whole world's better off for it. The world's better off if individuals that can have essentially multiple careers and kind of different ways they can learn and stay fresh and be interesting. Businesses can be infused with new talent, with bold ideas and different learnings from different areas and kind of adjust how they think of the market, how they play, how they operate.

It's one of the things that makes Silicon Valley magical. Because actually, in fact, people move around from companies a lot. And so all of the companies are fiercely learning machines because they're all learning together through the exchange of these biological parts that go, "I learned this and I moved over here and I'm not taking any confidential information, but I did take what I learned and I'm applying it over here." And that sharing of information is super important.

And part of it is, this is kind of like, think of how foolish it is to say, "Well, I'm 20 and I've picked the exact right thing for me for the next 45 years." Really, you don't think you're going to learn anything in the next 45 years? You did all your learning when you're 20, you're done? And the world's not changing and all the rest? So it's a good thing.

The important thing, and this is part of *The Alliance*, in the book, was to say, actually, in fact staying synced and being forthright and being well allied with the companies you're at, with the managers you're working with is super important because you can say, "Look, what's the magical thing that I can accomplish by working here such that you think that that was a good tour of duty. And what's that thing? Let's agree on that, let me do that, and that's part of what I contribute as part of this being a significant and interesting part of my career path."

And then vice versa: "Okay, what's the thing that, well, how do I get transformed with this? How does this help amplify my career? And maybe it'll end up being here my entire life. Great, awesome." And maybe it won't – and that should be great too.

**HARBINGER:** Inevitably, some of our tours of duty will turn out better than others. And that's the basis of the next rule. Rule seven: Expect rejection. And bounce back.

You hear it everywhere these days. To succeed, you need grit. And the truth is: You need a lot more of it than anyone will ever tell you. You shouldn't just be prepared for rejection. You have to expect it. And this next clip brings that to life. Stacy Brown-Philpot is the CEO of Taskrabbit. Here, she talks about her first job – and how it taught her grit pretty early in the game. Let's have a listen.

**STACY BROWN-PHILPOT:** I grew up on the west side of Detroit. It wasn't the best neighborhood, it wasn't the worst neighborhood, but people looked out for each other. Of

course, later on, things got worse for a lot of people very, very fast, but it was home for me.

**HOFFMAN:** The Motor City was struggling as the auto industry's engine faltered and died. Times were tough. Communities were devastated by unemployment and despair. Stacy got an unflinching look at this reality from her very first job: the paper route. Stacy shared hers with her older brother.

**BROWN-PHILPOT:** We would deliver the papers in the mornings, and then on the weekends we had to go collect from people. Of course, there were always people who didn't want to pay, so I had to make sure we got paid.

**HOFFMAN:** How old were you then?

**BROWN-PHILPOT:** Oh, I was about 10 years old.

**HOFFMAN:** How did you get people to pay?

**BROWN-PHILPOT:** Well, you just knock on their door a lot, and often, and then you kind of watch when people's cars would pull up, and see them going in the house, and you run out and catch them before they close the door. And then I'm 10, so of course they're going to look at me and say, "I need to give Stacy her money." But sometimes they just wouldn't answer the door if they didn't have it, so you have to watch people when they go into their house.

**HOFFMAN:** Most people would agree that stiffing a 10-year-old girl out of her paper route money is a jerk move. But Stacy wasn't deterred.

**BROWN-PHILPOT:** Some people would see us and it's like, four degrees outside, and they would just give us that extra dollar. That just meant so much, because I know it came from people who didn't have a whole lot of money, but they were proud of us for doing real work, good work, legal work, in a community where a lot of people did illegal work to make money. I think that helped inspire me probably later on, that if you do good work for good people, it'll pay off.

**HOFFMAN:** But there was a less sentimental reason that drove Stacy to lug heavy bags of paper through freezing Detroit streets.

**BROWN-PHILPOT:** I liked to buy candy.

**HOFFMAN:** I think that's universal amongst 10-year-olds. You start thinking about, "There's a use for this money. It's called candy."

**BROWN-PHILPOT:** Exactly.

**HOFFMAN:** Cash equals candy. It's a fun equation you learn as a kid. But Stacy learned some tougher lessons too.

**BROWN-PHILPOT:** I would say that my upbringing in Detroit taught me grit. It taught me about not just the cold weather, but there's a community that needs to thrive, and you need to figure out a way.

**HARBINGER:** If anything is a prerequisite to success, it's grit. But not every successful person has a clearcut origin story for their persistent nature. I dived into this observation with Reid.

**HARBINGER:** I've noticed that many successful people – not just CEOs and entrepreneurs – they have a lot of resilience, they do have a lot of grit. But if we didn't grow up selling newspapers in below freezing Michigan winters and getting stiffed by our elderly customers running into the house to avoid paying, how do we go about developing some grit as adults?

**HOFFMAN:** So I think grit, some of us have a more natural predisposition for it. Some of us don't. That's a nature – but it's always nature plus nurture. So I think grit can be learned. The principle way is, anytime that you run into a difficult circumstance, realize it's a learning opportunity. Realize that it's like, "This is where I can learn grit. This is where I can go, 'Okay, I pick myself up, I dust myself off, and I do it again.'"

And we've all encountered it, at least in minor ways. Like you play sports when you're in school, you try your hand at art and you're a terrible painter. But we actually lean back and you go, "Okay, I picked myself up. I keep going." And what you do is you say, "It's something to learn. It's something to get better at." It's the same way as: Can I express myself in language? Can I pick out a good outfit? Can I... like it's the same thing.

Everyone can learn it. And it doesn't mean that everyone can learn it to be at an Olympic level. That's a whole spectrum on this, but you can learn it to be better. And it's super important because basically where things really get tragic is where you take yourself out of the game. You stop planning and that's you. You decide to do that.

**HARBINGER:** How do we know if we're learning grit and resilience or we're just punishing ourselves? Because it... "Okay, I'm in pain. If I lean into this, Reid said, grit is going to come out the other side. Resilience is going to come out the other side."

**HOFFMAN:** Simply putting your finger continually in the light socket – it's not necessarily a particularly good learning experience. So what you want to be doing is you want to be saying, "Okay, how am I measuring what I'm learning?" And so one of the ways that I do it is I come up with principles. So it isn't just, I go, "Okay, I'll take more pain." I'll go,

"Okay, here's a place where I took the pain. How do I play again where at least if I'm failing again, I'm learning new lessons, like I learned some lessons from that time?"

So you go, it isn't just like, "Oh, that was painful. Now I'm going to try it again." It's like, what did you learn from it? What did you say now I'm going to play differently? Like I am now going to say, okay, I'm going to... Like next time I take on a challenge, I'm going to get two or three friends to do it with me." Or "Next time I'm going to take on that challenge, I'm going to make sure that I've built up some momentum before I get into it." That kind of thing, you say, "Okay, that's what I've learned." And by the way, sometimes you have to relearn because sometimes, "Well that was actually the wrong learning. I need to adjust that." Fine.

But if you have that, then you have confidence that you're making progress and it isn't just that, "Well there's a 20-foot concrete wall and I'm trying to pound my head against it to go through it." And that's never going to work. Your head's going to break before the concrete wall does. But you go, "Okay well I studied the wall a little bit better." And I said, "Well not the concrete wall, the wood wall. I'm going to go after the wood wall." Fine. That's the kind of thing.

And if you know who you're learning, you're asking other people, you're trying to figure out "What's the way that I do it better?" Then you're making progress. And grit is one of the things that comes out of it, because part of how you learn grit, is you go, "Well I, that was painful and difficult, but then I played again and I did better. Oh, grit's useful." And that's how you need to do it.

**HARBINGER:** So when you talk about grit, it's really easy to slip into another piece of terrible advice, which is "Never give up." But actually, there's a time and place for that too. Which leads us to our next unconventional rule. Rule eight: It's ok to give up. Just don't give up.

In our next segment from Masters of Scale, we hear from Mark Pincus, founder of Zynga, the people who brought you games like Farmville. He has some good points in this next clip. He's essentially telling us that we need to know how to kill our own bad ideas – without giving up on the good instincts that led us to the bad idea.

When the clip starts, he's telling Reid about one of his greatest failures – a startup called Tribe, which was an early social network. It was the company he started before Zynga.

**MARK PINCUS:** It's pretty amazing if you think about it that I started one of the first three social networks in 2003 and I managed to fail. At a time when everything worked, I actually managed to fail.

**HOFFMAN:** I think Mark is being too hard on himself. It's true that 2003 was a banner year for social networks: MySpace, Tribe, LinkedIn, Hi5. Friendster the year before. Facebook the year after. Of those, only half are still around today.

**PINCUS:** The lesson from Tribe that came resoundingly out for me and still stands out: that as entrepreneurs, part of the journey that we're on, is learning how to separate our winning instincts from our losing ideas. I think as a rule of thumb if you're a good entrepreneur you can assume that your instincts are right 95% percent of time and your ideas might be right 25% percent of the time.

**HOFFMAN:** I'm not as certain as Mark when it comes to fixing percentages on things as hard to pin down as instincts and ideas. But I do believe that being able to recognize a winning instinct is an essential part of being an entrepreneur. And I certainly agree with Mark that you can expect to see a very high mortality rate among your ideas, even if the instinct behind them is right.

In the case of Tribe, Mark was pursuing three instincts that, separately, would indeed turn out to be spot on. His instinct that real-name social networking would be huge was borne out by Facebook; his belief in the power of smaller sub-community forums powered by reputation found form in Reddit; while creating a better way to find jobs and showcase your professional talents... why, that's LinkedIn. But his idea to pursue all of these instincts with one product was wrong.

**PINCUS:** I persisted with one losing idea, which was: What if we mashed all these things together? And I got a bunch of the components of that wrong and I stubbornly persisted with it. I enabled anybody to connect with anybody and what I got wrong was that mass market people did not feel comfortable sharing everything with strangers.

**HOFFMAN:** Mark needed to kill the extreme openness of Tribe if he wanted to attract more mainstream users and take advantage of the big opportunity. But he could not bring himself to deliver the killing blow.

**PINCUS:** The idea of Tribe wasn't right. And rather than failing fast so that you get a lot of shots on goal, we stoically, stubbornly, heroically stuck to our one idea the entire time.

**HOFFMAN:** It was this bitter experience with Tribe that reawakened the killer in Mark.

**PINCUS:** Out of that, for me, came this mentality that I brought into Zynga of "I'm not wedded to any idea whether it's mine, yours, someone else's." I'll try anything and I'll kill anything and I'll kill it quickly. And I'm not going to let killing an idea, kill a winning instinct.

**HARBINGER:** Mark and Reid go way back, so he's had plenty of time to pick apart the conceptual anatomy of this "idea murderer". I asked Reid about those precise percentages Mark loves putting on intuition and ideas.

**HARBINGER:** What I like most about this idea is that especially as entrepreneurs – and this goes for creators of any kind as well – we need to separate our winning intuition or instincts from our losing ideas. He seems pretty confident about the percentages of him being 95% right in terms of intuition or instincts and 25% rate in terms of ideas. I don't know how you track on that, but I love this concept because it's really easy to go, "Well that idea didn't work. I'm clearly not cut out for this. I'm an idiot. I'm never going to get it right."

**HOFFMAN:** So part of what I think is really good about Mark's framework here is there are times you're wrong with intuition and you need to actually correct for that. But frequently one test of the of the intuition does not tell you, right? You actually have to test through a sequence of ideas. And what it allows you to do is acknowledge you might be wrong about this. Like where people frequently go wrong is they go, "I'm so right about the intuition this idea must work, and I keep working at that idea until I literally drive the bus off the cliff," right? And you're like no, no, no bad idea, you need a pivot earlier, you need to figure it out.

And so actually in fact for one piece, it gives you the psychological space to say, "Well, maybe this idea is wrong and maybe I should abandon this idea." Now it's very hard when you're the author of the idea, you go, "Well, but that's my value. That's my idea. That's my value, like that's the thing I have that's unique from everyone else." More often than not, greater than 50% of the time you're going to have to give up on that idea. Right. And that's hard for people. And that's one thing that's really useful about Mark's break of kind of a winning intuition versus a potentially losing idea.

The other thing I like about it is that part of how I advise people when they think about macro pivots and changes is you kind of measure what your ideal flow is. And so you go, "Well, in order to make this intuition work I've got this idea, I've got idea one, I've got idea two, I've got idea three, I've got an idea four."

And part of how you go, "Well maybe that intuition is wrong, is you go 'Okay, so I've now tried five ideas. Is my sixth idea as good or better than the average or the kind of set of the five ideas? Or am I now in a substantially worse ideas than I had before?'" Because it gives you that "No, I'm now kind of scraping at the bottom of the barrel for the ideas to make the intuition work..." And that's when you pivot the intuition. That's when you may say, "You know, I tried five different ideas, doesn't really work. I'm now going to go for a different intuition."

**HARBINGER:** That's actually really useful, because I think most of us are so ready to throw out or actually either hold on with a death grip or throw out an idea and then just think, "Well, I don't have what it takes or this can't be done. Or since I did this wrong, everything I do, I'm going to be making a similar mistake."

And we might not have those thoughts consciously but it's kind of hard to shake, especially if you really get your butt handed to you by mentors, peers in the market or whoever. You might just think, "Okay, I'm going to go work at Target."

**HOFFMAN:** And an additional point that's really important –I think we may get to this later toon– but it's always like orient it to always get back on the game and keep playing. It's part of the grit point right now, the point of that doesn't mean always keep trying to do the same thing until it totally crushes, you need to pivot and change, but staying in the game is part of how you win.

**HARBINGER:** It seems clear that now that "never give up" is pretty terrible advice, but it's advice we hear all the time. Actually, I think the people who say "follow your passion", follow that with "and never give up." It's almost like they just looked at a bunch of Hallmark cards and they're like, "I need a keynote speech."

But how do we know when to give up on the idea itself? If the market kills us maybe – or a company may be a better question – how do we know when that time is where we go, "Look, pivot is not going to do it, five degrees to the left is not going to do it. This needs to be nuked because we need to take our ball and put our resources somewhere else."

**HOFFMAN:** Well the framework I use for this is the same framework I just outlined, which is what you do is you say, "I've got a plan A right, that's kind of idea one for this" and then "Ah, it's not working and I'm adjusting. Maybe my goals are, I'm adjusting in what I'm doing. Those are kind of ideas two, three, four."

But as you begin to realize that on this path the ideas that you're testing are not working or are getting worse and worse, you want to pivot early. Right? So part of what the key is the mistake that people make is they go, "Oh, when the company is shutting down, now I pivot." And you're like, no, no, no. You actually want to be asking yourself the question: Should I pivot? And you want to ask that question before the market hits you in the face with a two by four.

And that's true as an individual too. You shouldn't be going. "I get to the end of the decade and I go, 'Oh, I really should've done something different nine years ago.'" That's a mistake, right?

**HARBINGER:** Me learning all the Symbian programming instead of iOS, turned out not to be a good future first idea.

**HOFFMAN:** But what you do is if you're good and rigorous about asking yourself the question, call it every year, and going, "Well, do I now have more confidence or less confidence in the path that I'm in"? And I'm testing, I'm talking to my network. I'm asking about it. Because by the way, sometimes the test is, "Hey, do you think the Symbian thing is going somewhere?" And you go, "Oh, I heard from a bunch of smart people. I don't think it's going anywhere."

Okay, do I really know something they don't – which I might sometimes, that's the bold thing – but consider trying to get to your pivots early and think everyone pivots. The view – because this is the whole survivor's bias thing you just talked about – is everyone loves to tell these narratives of "When I was two, I knew what I was going to do when I was 40."

**HARBINGER:** Yeah, sounds good.

**HOFFMAN:** "And it was a straight line, that was kind of smooth sailing. The wind was at our backs. It was kind of unproblematic." It's always fiction. It's just not true. Everyone pivots. So you're like, "I'm going to be pivoting to, so let me pivot intelligently and early." That doesn't mean you don't have persistence. That doesn't mean you don't try the hard thing a couple of times every so often, but you're knowing that pivoting is part of the game.

**HARBINGER:** Perfect. Yeah. I think that it's not defeat, you're merely steering the boat to get to the port in the right direction.

**HOFFMAN:** Exactly.

**HARBINGER:** This next rule recognizes that some of our biggest lessons in life come not only from mentors and teachers and friends, but the people who give us a much harder time. Rule nine: Learn from the jerks.

This next clip is right up my alley given that what I teach so much on the show and to Silicon Valley entrepreneurs and companies are soft skills. So networking, relationship development, and especially reading between the lines to decipher, communication, and figure out why people are saying what they're saying here.

So in this clip from Masters of Scale, you'll hear the co-founder and CEO of Eventbrite, Julia Hartz, talking about her not so favorite customer feedback from her first job as a barista. Let's hear it.

**HOFFMAN:** Julia was learning to hear what people said and react to it in real time. It's a skill she developed not only in the dance studio, but in all the jobs that would follow. She learned to listen to what people say, and then cut to the core of what they actually mean. And she learned fast. Like the time she was working at a local coffee shop...

**JULIA HARTZ:** I was 14, at The Ugly Mug in Santa Cruz, where I grew up. I learned how to make a great latte, but the biggest lesson was this woman would show up at the door at 5:55 a.m. and walk in and yell at me for like a good 15, 20 about how bad the coffee was that I was making her.

And I would get like a pit in my stomach for the first few weeks. Then, I just realized one day: She didn't have anyone to talk to. It wasn't about me. It's not about the latte. It's like that lesson was one of the most important lessons I've ever learned in my life. I learned it at 14.

**HOFFMAN:** "It's not about the latte." It's a deceptively simple statement – one that can save you a lot of time and effort if you learn the lesson well. Because what sounds like direct feedback – the kind of feedback that calls for clear action – is often something quite different. If Julia had taken that customer's feedback at face value, she would have tied herself into knots trying to satisfy impossible demands. And she'd never have mastered making a great latte.

**HARTZ:** I remember thinking: It's not about the latte. You know, with those people, you're like "Wait, they need someone to talk to." They're not upset about you or it, it's about something else. You've got to put it into context.

**HARBINGER:** It's not about the latte. Except sometimes it is. I wanted to get Reid's take on how exactly to tell the difference between a crank after their caffeine fix, and a customer who might set you towards your next big idea.

**HARBINGER:** All right, Reid. So what sounds like direct feedback – that kind of feedback that calls for clear action – is often something quite different. Great. How do we know what feedback is direct feedback and then how do we know which is the crazy old lady going ballistic about a perfectly good latte?

**HOFFMAN:** There's two things. So one is, integrate data from multiple, multiple data points. So for example, you have one person saying, "That's a terrible latte." And a bunch of other people like, "Oh great." And they are regulars and they're coming in while you have multiple data points. So the likelihood that that's a terrible latte is much lower. So multiple data points is super helpful.

And sometimes it's tricky to get multiple data points or compare apples to apples versus apples to oranges and then make that happen. But multiple data points is very useful. And then also, this gets to the second point, which is asking your network. Ask people, say, "Oh, I'm having this experience. How should I interpret it?"

And those folks should be able to say, well, like for example, if I had been friends with a young Julia I'll say, "Well, come in, I'll try your latte, I'll tell you what I think," and I'll tell you what I actually think. Like I'm not going to go, "Oh it's great." It'll be like, no, I'm trying to help my friend. "Oh it was pretty good. I don't know what the problem is." And by the way, that's how you get a second data point.

And so the really key thing is to realize that the learnings very rarely – I mean, occasionally come one data point and then you have your network to help you understand it and analyze it, understand what the key learnings are. But frequently it's multiple data points and then you integrate across them. And that's how you understand.

**HARBINGER:** And now, we've arrived at our final rule. Rule ten: Aspire toward balance. But know what it takes.

It's very trendy these days to talk about wellness or well-being or balance. How much of that is realistic? Reid has his own take on that question, which is a bit different from the usual advice you'd hear. He goes into detail on it with Arianna Huffington in the episode "What great founders do at night." Here's a clip of Reid – and friends – reflecting on their frequent lack of balance.

**HOFFMAN:** Before I go further, I have to admit I'm a very flawed spokesperson on this particular theory. I have at times used the phrase "sleep is for the weak." But in my defense, I was being somewhat tongue in cheek. Well, for the most part.

I don't really think sleep is a sign of weakness. If I know that I have a particularly creative project coming up, I'll make sure I get eight hours of sleep the night before.

But a younger, less wise me, would often limit sleep to continue the thrill of the entrepreneurial chase. Those super late nighters to ship a new product are far behind me. But I can't deny I look back on those days with a hint of fond romanticism. As do many of my previous guests on Masters of Scale.

**MARISSA MAYER:** They had told me, "Look, leave at 6:00pm because we don't know when you'll ever leave at 6:00pm again."

**BRIAN CHESKY:** I literally lay on the floor of the lobby and I use my backpack as a pillow.

**EK:** I did sleep outside of the conference room for a few nights.

**JOI ITO:** And I remember, you know, people were like sleeping under their desks.

**REED HASTINGS:** I was coding all night trying to be CEO in the day – and once in a while would squeeze in the shower.

**HOFFMAN:** Striking the balance between work and rejuvenation is something I still struggle with. My good friend, Joi Ito, will tell you so. Joi is the director of the MIT Media Lab. Here's what he told one of our producers, when they interviewed him about my idea of letting fires burn.

**ITO:** So the only concern I have for Reid is that this notion of letting fires burn isn't the greatest philosophy for having a work life balance. And I think that's something that Reid is now just starting to process. So on the one hand I think he's a master of scaling. But on the other hand I think he's just beginning to figure out how that ties into sort of taking care of himself and his life.

**HOFFMAN:** In fact, it's my conversations on this subject with Joi and other entrepreneurs that has got me thinking more seriously about this question of wellness. Not just when it comes to the individual. But how it can be scaled throughout a company in a measurable way that boosts the bottom line.

**HARBINGER:** I couldn't resist a little light teasing as Reid and I launched into discussing this rule.

**HARBINGER:** So sleep is for the weak, huh?

**HOFFMAN:** You have to understand what game you're playing. There are games you can play with work life balance if that's what you want to do. Great. Like no harm, no foul. Good thing to do. If you're doing a startup, which is the metaphor I use is you're jumping off a cliff, assembling an airplane on the way down. You're all in. There is no work life balance there. It's you assemble the plane or you crash on the ground.

And so at that point, yeah, you need to rest enough that you can play. It's a marathon, not just a sprint, that you can play that out, but that's where you kind of go, "Okay, I am playing this as hard as possible."

The "sleep is for the weak" is kind of a fun metaphor. I am actually, I think making intelligent decisions is really key to how you learn and do everything else and you need to be getting enough sleep that you're cognitively functional, that you're making decisions the right way. So it isn't, "Oh yeah, stay up two nights. That's great." No, no,

no, it's a marathon and your cognitive process and the decisions you're making are super important.

**HARBINGER:** The more I research this and talk to people about it, the more the research shows that people are actually happier when they have some sort of balance, but they're happier kind of in the moment where that balance exists of course. But there are people who are the most successful economically and they typically, on our show say, "Look, at no time in my twenties and thirties did I have any sort of work life balance."

This isn't universally true, but Scott Galloway, who is a professor at Stern, he said, "Look, forget it, if you want balance before your 40s that's fine, but you might have to accept that you won't be as economically successful as people that just burned it for 20 years and were like obsessed with every business that they were in and slept in the office."

And it's an uncomfortable truth because, I'm from the Wall Street background, so I'm fully familiar with supplementing your diet with Red Bull and sleeping upright in a chair in front of an excel spreadsheet. But a lot of people are like, "No, it's not fair. I should have balance and I should still be able to be successful." But it's kind of like "follow your passion" where some people do it and then they talk about how great that is. And other people go, "Wait a minute. I come home every day, I still work six days a week and I'm not seeing it. What? Do I really have to have 80-hour work weeks?"

**HOFFMAN:** It's a competitive world. What's your differentiation? The other people are working 80-hour weeks and you're working 40 and you think you're going to win? You better be lucky or amazingly good, or both.

**HARBINGER:** Probably both. Yeah.

**HOFFMAN:** Yes. Right. So you got to think about it. Everyone wants to have high – or many, many people and the majority of people want to have a high economic success. So they're kind of competing for it. And you have to think about it as a competition, which means that it's the person who goes and says, "Oh, I'm going to be a star basketball player and I'm not going to practice." Oh really? No, no, no. Actually, you have to commit, you have to put in the time and you have to put the energy, the blood, sweat and tears. That's what it takes.

**HARBINGER:** "That's what it takes." What I love about that last piece of advice is that it's real.

And that takes us to the end of our ten rules. I hope you've found a lot of gems here; I know I have. If you want to dive deeper into the stories of any particular entrepreneur you heard from here, just look for the Masters of Scale episode that has their name in the title, including the two episodes featuring Reid's own story.